

EBRD and IFC investments in Amulsar Project, Armenia

In 2009 the European Bank for Reconstruction and Development (EBRD) invested CAD 5.8 million equity financing for continued exploration and development programme of Lydian's Amulsar gold project.¹ In 2016 the EBRD provided further equity injection of up to CAD 10.5 million to purchase Lydian's shares as part of its capital increase. The EBRD funds were earmarked to be used to finance Environmental and Social Mitigation Measures (ESMM) undertaken as part of the project, as defined in the Environmental and Social Action Plan (ESAP), including financing a biodiversity off set programme and the construction of water treatment facility and related activities.² The project is currently at the disbursement stage.

The International Finance Corporation of the World Bank (IFC) also invested Euro 1.0 million equity investment for Lydian's investment program in exploration, feasibility studies and project assessments.³ Complaints from impacted local people and civil society to the CAO resulted in a compliance review that concluded in August 2017⁴, followed by IFC's divestment from Lydian in September 2017.

Bankwatch monitoring of the Amulsar gold mine project

CEE Bankwatch Network has supported Armenian civil society in monitoring the investments of IFIs in Amulsar gold mine project since 2011. Since 2015 we have been in regular contact with the investor, Lydian International, conducting site visits, meetings with the company's sustainability team and submitting comments on the Environmental and Social Impact Assessment (ESIA). We have raised several concerns with the company and with the EBRD, for example with regards to the need to conduct a better gender impact assessment, the need to assess properly the impacts on local water resources, including on local villages' irrigation and drinking water supply. With regards to Lydian's social license, we have reiterated the demand of Armenian civil society for better public consultations. For example, a formal presentation of the ESIA and a meaningful public consultation with the residents (not just the authorities) of the town of Jermuk was never conducted, since the Armenian EIA's scope excluded Jermuk. Last but not least, we have stressed that in the repressive climate before the 2018 revolution, many local people were afraid to openly speak up, especially those in public sector jobs (teachers, policemen, doctors, municipal authorities servants etc.).

Following the 2018 revolution and government change, Bankwatch commissioned two expert studies by independent sociologists and biodiversity specialists. As a result of these independent experts findings and in line with their recommendations, Bankwatch and Armenian civil society

1 EBRD Project Summary Document: <https://www.ebrd.com/work-with-us/projects/psd/dif-lydian-amulsar-gold-mine.html>

2 EBRD PSD: <https://www.ebrd.com/work-with-us/projects/psd/lydian-amulsar-gold-mine-extension.html>

3 IFC disclosure on the Amulsar project: <https://disclosures.ifc.org/#/projectDetail/SPI/27657>

4 See CAO communique and CRR: http://www.cao-ombudsman.org/cases/document-links/documents/EN_CAOCCommuniqueLydianInternationalAugust42017.pdf and http://www.cao-ombudsman.org/cases/document-links/documents/LydianComplianceInvestigationReport-06192017_forwebsite.pdf

requested new Supplementary ESIA studies and wide public consultations.⁵ Meanwhile since June 2018 local people have blocked access to the mine, effectively stopping the Amulsar mine project development.

Independent expert ESIA and EIA review

The idea for an independent review of the Amulsar project's ESIA and EIA was first suggested by the new Prime Minister Nikol Pashinyan in September 2018. In November the Investigative Committee of Armenia announced pre-qualification for the independent Review. After the December elections and Nikol Pashinyan's reelection as Prime Minister of Armenia, at a session on February 21, 2019 the Armenian government decided to allocate USD 369,900 to the country's Investigative Committee to commission a comprehensive Review by experts from Earth Link & Advanced Resources Development (ELARD). The Review's terms of reference included assessment of the environmental risks of the mine through a comprehensive ecological, geological, hydrological, geophysical, materials science, chemical, technological, structural and technical, and economic examination. At some point the Lebanon-based ELARD involved USA-based TRC consulting company in the Review.

The independent expert Review by ELARD-TRC was released in August. It analysed Lydian's environmental and social impact assessment (ESIA) and environmental impact assessment (EIA) to inform the Armenian government whether or not Lydian's management plans can ensure safe mining operations, controllable risks and minimal impact on the surrounding environment.

The ELARD-TRC independent Review said that while in general the design concepts in the Amulsar ESIA/EIA are reasonable and appropriate, *“a number of the measures and plans, are partial, not-sufficiently protective, and/or unreliable with a high degree of uncertainty”*. According to the Review this was *“particularly due to deficient and questionable data, models, model simulations, design bases, and/or assessment.”*

For example, first, major criticism concerned Lydian's approach to water resources in the mine's area of impact. Impact on water resources - like Lake Sevan, Ketchut and Spandaryan reservoirs, Jermuk spa resort and mineral water brand, Arpa and Vorotan rivers, local springs, irrigation and drinking water supply - was a major area of concern for local people, Armenia's citizens and NGOs, and for the government.

The Review stated that key data for measuring the impact of the mine had not been gathered and *“several potentially significant springs were not visited”*, adding that *“given the importance of springs to the local communities and the potential for impacts to the springs from the mine pits the springs flow characterisation is inadequate.”* Furthermore, the Review pointed out that *“[o]verall, the water quality modelling and solute transport model simulations are poor.”*

Second, the Review criticised Lydian's approach to acid rock drainage (ARD) and said Lydian's approach towards ARD *‘is misleading’*, it underestimates ARD generation and contaminant leaching potential of the Amulsar project. This assessment echoes previous independent reports commissioned by Armenian civil society and released in July 2017. [1]

⁵ Bankwatch commissioned studies on local communities perceptions of the project and the biodiversity offset: <https://bankwatch.org/blog/new-reports-press-for-revised-terms-to-armenia-gold-mine>

Third, the Review concluded that geological, hydrogeological (including the movement of contaminants along faults that the ESIA ignored), waste characterization, and water treatment studies need to be conducted before mining begins. These studies must form the basis for water quality predictions and the design of effective mitigation measures.

In conclusion, the Review stated that there were remaining environmental risks, but pollution from the Amulsar project can be minimized if additional mitigating measures recommended by ELARD were implemented. However, independent experts and civil society in Armenia argue that implementing the Review's recommended additional studies and mitigation measures would represent substantial changes to Amulsar's mine project and should require a new Supplementary ESIA.

Pending decisions on Amulsar by the Armenian government

Following the ELARD-TRC Review publication and several discussions with stakeholders, on August 19th PM Pashinyan announced that the Amulsar project would be safe and should restart. After an outcry from both civil society and his own party's members of parliament, on August 21st the PM put the decision on hold and requested an opinion by the Nature Protection Ministry till 4th September. The PM visited local communities and the town of Jermuk on 23 August to reassure people that Lydian will not be allowed to launch mining operations, if they are deemed to pose a serious threat to the environment.

Meanwhile a criminal case is ongoing since July 2018 in connection with the deliberate concealment by an official of the Nature Protection Ministry of environmental pollution caused by works on the Amulsar project. On the basis of the ELARD-TRC Review, on 15 August the Investigative Committee of Armenia informed the Government of its decision to terminate the criminal case investigation. It justified its decision pointing out that, in case the conditions laid down in the ELARD-TRC Review are met, the Amulsar project would not have adverse environmental impact. On 22 August Transparency International Anticorruption Center, TIAC, criticised as groundless the intention of the Investigation Committee to terminate the criminal case, since some of the assessments set out in the ELARD-TRC expert Review directly indicate the legal and factual need to continue the criminal proceedings.

In addition, on 23 August Transparency International Armenia appealed to the Ministry of Environment of the Republic of Armenia to invalidate the expert assessment opinion previously given to the Amulsar project, presenting a number of reasons why the Amulsar mine should not be exploited: *"It is obvious that under systemic corruption mining permits could not be granted by clean processes and it is very important that in post-revolutionary Armenia the Ministry of Environment revises its former vicious practices and revokes the previously issued expert opinion,"* TI-Armenia says in its press release. [2]

In the last week of August Armenian civil society groups have also issued appeals to foreign diplomatic services in Armenia and to Amulsar's investors calling for further assessments, support to democratic process and divestment from the project. [3] Blockade of the mine and civil society protests and marches, locally and in Yerevan, are on-going. International civil society has supported

the campaign since the mine blockade started, as most recently Global Justice Now and War on Want expressed solidarity with protesters.⁶

Last but not least, there are concerns about the oppressive methods that the new Armenian government would need to resort to, in order to forcefully open access to the mine site and restart project development. Several protesters were arrested last week and key environmental advocates are facing various investigations for their involvement, posts in social media etc. (although official information in English is still lacking in the public domain).

CEE Bankwatch Network echoes the calls of Armenian civil society for revoking the EIA permit for the mine and starting supplementary ESIA for the Amulsar project in parallel to wide formal public consultations. Currently Lydian lacks a social licence to operate, so the project development needs to be put on hold. Pressure from investors needs to stop until the democratic processes run their course and the on-going investigations are concluded. The EBRD should “*stand by high environmental standards for people in Armenia and human rights values*”⁷ and support the democratic transition in the country.

For more information:

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References:

[1] ARD experts press conference, July 2017: <http://www.armecofront.net/en/press-releases/announcement-of-bronozian-consultants-after-visiting-amulsar/>

Additional relevant correspondence on Amulsar’s ARD: <https://www.business-humanrights.org/en/armenia-amulsar-gold-mine-poses-high-risk-of-long-term-adverse-impacts-to-drinking-water-resources-say-experts-includes-shareholders-comments>

[2] Transparency International Armenia press releases [in Armenian]:

21 August: <https://transparency.am/hy/news/view/2817>

23 August: <https://transparency.am/hy/news/view/2818>

Ecolur Media NGO news [in English]:

22 August: <http://www.ecolur.org/en/news/amulsar/--/11462/>

23 August: <http://www.ecolur.org/en/news/amulsar/---/11474/>

See also Transparency International Anticorruption Center, TIAC’s 2017 Assessment of Corruption Risk in Mining Awards in Armenia: <https://transparency.am/en/publications/view/208>

[3] Armenian civil society, Call to US, Great Britain and Sweden Ambassadors: Support Society Fighting against Amulsar Project in Armenia: <http://www.ecolur.org/en/news/amulsar/---/11486/>
Armenian Environmental Front Civic Initiative, Divest from Amulsar! Urgent Appeal to Lydian’s Investors: <http://www.armecofront.net/en/news/divest-from-amulsar/>

6 Global Justice press release: <https://www.globaljustice.org.uk/news/2019/aug/20/approval-armenian-gold-mine-shows-corporate-courts-crush-democracy> and other resources: <https://www.globaljustice.org.uk/news/2019/jul/30/government-challenged-rule-out-corporate-courts-after-brexit-following-criticism>

7 Armenian civil society, Call to US, Great Britain and Sweden Ambassadors: Support Society Fighting against Amulsar Project in Armenia: <http://www.ecolur.org/en/news/amulsar/---/11486/>